



# **DOT TIFIA Roundtable**

**December 8, 1998**



# Transportation Corridor Agencies

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- **Two Joint Powers Authorities**

- **Elected representatives from:**

- 15 cities**

- 3 Orange County Supervisorial Districts**

- **Total staff of 44**

- **Mission:**

- **Design, finance, construct, and operate the Foothill, San Joaquin Hills and the Eastern Transportation Corridors**
  - **TCA sunsets or ceases to exist in 2032 when the last construction bond is fully repaid**



# San Joaquin Hills Plan of Finance - 1993

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- **First all fixed rate non-recourse toll financing for start-up.**
- **Two tier structure - Senior/Junior Lien - \$1.2B**
- **Senior Lien (Fitch only) BBB Investment Grade Rating**
- **In 1992, was largest Design/Build Contract in history - \$750M**
- **5 environmental lawsuits**



# SJHTCA Investor Risks

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## ■ Environmental

Project delay

“No” project scenario

Two years additional capitalized Interest - \$96M

## ■ Construction

Built on-time

Within budget

D/B Contract

Guaranteed cost

Guaranteed completion date

Up to \$100M damages

\$250M performance bond

## ■ Operations

If you build it will they come?

1.3XRate Covenant, Net Toll Revenues only

\$120M Federal LOC (Ridership Risk)

# SJHTCA Federal LOC Process

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- **1992 General Fund appropriation**
- **Federal guarantee created tax issue**
- **Affirmative & negative bond covenants**
- **No consideration of LOC by Fitch/S&P in credit analysis**



## Foothill/Eastern Plan of Finance

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- **\$1.5B fixed and variable rate structure**
- **Federal LOC “tax issue” resolved - expanded use definition & maturity**
- **LOC used as “additional” coverage**
- **LOC viewed favorably and as enhancement by rating agencies**
  - **Investment grade ratings - Moody’s, S&P, Fitch**
- **Risks same as SJHTCA - no lawsuits**

## **San Joaquin Hills Partial Refunding - 1997**

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- **Eliminated high cost Junior Lien Debt**
- **Federal LOC used as “true coverage”  
1.2x% to 1.3x%**
- **Investment Grade Rating by Fitch,  
Moody’s and S&P**
- **Reduced d/s in first 12 years by \$277M**
- **Reduced TIC from 7.59% to 5.85%**
- **PV savings of \$38M**



## LOC “Legislative” Process

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- In 1992 methods for infrastructure project support did not work for TCA
- Requested “new money” appropriations from legislature - twice
- Approval based on leverage example
  - \$17M Approp. = \$240M Credit = \$2.7B in Capital = 159:1
  - Best infrastructure deal in the nation



# TIFIA

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- **Based on collective experiences of federal government and TCA, TEA-21 provides new tool for large infrastructure projects**
- **Effectiveness will be determined by the details (regulations)**
- **Prove to legislators that these tools work**
- **Partnership - the future can even be better based on success**